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| | *Index of output in 1947–8* (*100 in 1946–7*) | (*100 in Plan*) |
|---|---|---|
| Mining and metallurgy | 120·9 | 105·4 |
| Manufacturing industries: | | |
| Iron, metal, engineering | 160·9 | 123·3 |
| Electrical-power production | 128·0 | 121·0 |
| Leather industry | 193·0 | 156·0 |
| Chemicals | 117·0 | 109·0 |
| Textiles | 146·0 | 95·0 |
| Clothing | 227·0 | 84·0 |
| Total Manufacture* | 154·0 | 104·0 |

* Including items not quoted.

The extension of activities of light industry was left to the hazards of raw-material supplies. The special case of the leather industry, with an output pushed far beyond the target production programme, is explained by the existence of stocks of raw material which had not been fully taken into account by the planners. A heavy inroad was made on these stocks. None the less production remained, as in other important consumption-goods industries, considerably below pre-war level, while production in all capital-goods industries exceeded that mark. Yet the performance of industry as a whole, signifying a 54 per cent rise compared with the preceding year—calculated at 1947 January prices—was spectacular enough. In terms of quantities [464] coal output rose by 27, steel production by 40 per cent. The expansion was realized without a corresponding increase in the labour force. In coal mining the result was mainly secured by regrouping, which raised the number of miners working at the coal-face. Thus average productivity, as measured by output per shift, was raised by 21 per cent. In manufactures the average number of those employed rose from 250,000 in 1946–7 to 291,000 in 1947–8. This moderate increase (16 per cent), if compared with the growth in output (54 per cent), indicates higher productivity of labour. The average rate of improvement in productivity amounted at this time, according to the computations of the National Planning Department, to 25 per cent. A 40 per cent rise was claimed later. The substantial difference between the earlier and the later version was not explained.[1]

## AGRICULTURE

241 654 For agriculture the Plan presented a comprehensive development programme. The programme included investment to benefit crop-growing and stock-raising. Means were assigned

[1] See p. 93.

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for the elimination of strip-farming,[1] for irrigation and drainage, for mechanization, particularly through the establishment of tractor stations, for farmers' training as well as for the extension of agricultural industries, for the increased output of fertilizers, for supplying the countryside with electric current, for road building, and finally for social services in the villages. Besides the funds provided centrally to be used for agricultural equipment, there were investments of individual farmers, which escaped central control. This activity took shape more especially in the increase of livestock and in new farm buildings. The development scheme, absorbing roughly 700 million forint (£15 million) in the course of the first Plan year, was bound to raise quantity and quality of production in the long run.

The planning which set out to determine the kind of cultivation to which areas of land should severally be devoted encountered certain limiting factors. In spite of a substantial recovery, the effects of war destruction on equipment and livestock were not yet effaced. Moreover, the consequence of the land reform had to be considered.

In consequence of the breaking up of the big landed estates broadly one-third of the agricultural area, formerly cultivated in big units, was divided into lots too small on the average to yield full support for a peasant family. Subsistence farming stepped in where formerly production for the market prevailed. The measures of adaptation required by the sudden change of structure, in particular, the change-over to more intensive methods of cultivation which is usually regarded as a corollary of the land reform, had to be postponed. The new farmers had to wrestle with the day to day problems of the lack of draught-animals and other traction power, of fertilizers, and of implements, and, last but not least, with a sequence of droughts. The fact that, in spite of all these adverse conditions, the area sown in 1946–7 was only slightly less (2 per cent) than the average of the period 1934–8 shows the determination of the peasants to work hard on the land they owned.

Low averages in yields, though imputed to the weather, were to a certain extent caused by deficient methods of cultivation. Yet it would be wrong to put the whole blame for the setback in production on the land reform. Post-war conditions in general and the adverse weather conditions had a substantial share in causing the unsatisfactory results. Those who sometimes argue that the hasty division of land aggravated the situation, do not take into account the fact that, in a world of social upheaval,

[1] This worst obstacle of economic farming was widely spread. It was to be found in its most extreme form in the Central Hungarian Plain.

marked increase in prices since 1938. Reduced to the prewar territory and in 1938 pengoes, annual investments would have been of the order of 30-40 million pengoes, giving a total of 300-400 million pengoes.

The act did not provide special machinery to carry out the plan. An overhaul and reorganization of the agricultural administration was proposed, a measure which in any case was overdue, but the act did not go into details. One innovation, specifically mentioned, was the appointment of agricultural officers to all the larger villages and to groups of smaller ones to control the execution of decrees of an agricultural-technical character and to give advice on agricultural matters to the local councils and the farmers. Hitherto the organization of the agricultural administration was curiously deficient, as it had officers only in larger territorial units which were too large for efficient control.

The other innovation was the setting up of the National Council of Agriculture, an advisory body, appointed by the Minister of Agriculture. Otherwise, the role of the Chamber of Agriculture did not change and the special interest groups of farmers were to continue to exercise their functions.

The powers of the minister were greatly increased. The minister could compel producers of special lines to set up organizations to represent their interests. To regulate supply and improve distribution, the minister was also authorized to set up organizations combining producers, processers and distributors to regulate production and prices with binding force for all concerned; he was also authorized to give monopolistic rights to cooperative societies or state organizations for the purchase, distribution and export of specified agricultural products.

Increases in production were to be brought about by investments, by temporary tax rebates to farmers making permanent improvements, and by greatly increasing the power of the Minister of Agriculture to compel farmers to adopt more efficient methods.

Investments included increasing the number and improving

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Transylvania was reincorporated—43,500 sq. km., population 2.6 million.

April 1941, the occupation of part of Voivodina added 11,500 sq. km., population 1.0 million.

In 1941, Hungary had a territory of 172,200 sq. km., with a population of 14.7 million, against 93,100 sq. km. and 9.3 million in the Trianon territory.

## THE TEN YEAR PLAN OF AGRICULTURE OF 1942

Investments included increasing the number and improving this equipment of agricultural colleges, improving the equipment of agricultural experiment stations, the setting up of model and experimental farms, the organization of competitions for farmers and agricultural exhibitions, the organization of group visits to efficient farms, and the establishing of scholarships for advanced study at home and abroad. The minister was also authorized to contribute to the costs of permanent improvements, planned by groups of farmers, should their costs exceed their financial capacity.

The temporary tax exemptions which the act authorized brought benefits to farmers making investments to effect permanent improvements. Similar exemptions had long been available to industrialists.

Most important of all, to improve the efficiency of farming, the Minister of Agriculture was given wide powers to control and direct production. If he deemed necessary, he was authorized:

(a) to dispossess inefficient farmers, guilty of gross negligence;

(b) to proceed with the consolidation of fragmented holdings without the preliminary consent of those affected;[2]

(c) to fix zones for the growing of certain kinds of fruits and the breeding of certain breeds of livestock;

(d) to compel large estates owned by public authorities, nonprofit organizations, or joint-stock companies to grow quality seeds on a certain proportion of their acreage;

(e) to compel farmers to use tested, high-quality seeds;

(f) to order the planting of wind-breaks along fields or on public grazing land;

(g) to compel farmers to grow certain crops on a fixed proportion of their acreage or to make the growing of certain crops subject to permission;

(h) to compel farmers to improve their land by means of drainage, conservation practices, manuring, etc.;

(i) to compel farmers to set up joint enterprises for soil improvement and conservation schemes requiring larger investments.

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2. Many of the small farms were not one contiguous piece of land, but consisted of a number of even smaller fields scattered over a large area. This was wasteful of land, owing to the length of boundary lines, and made efficient cultivation impossible because of the loss of time entailed in traveling from field to field. Consolidation had been making very slow progress in spite of its obvious advantages."

## THE OIL INDUSTRY IN THE HUNGARIAN ECONOMY

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from Romania (1890-1916). These imports gradually declined in importance as Austrian (Galician) and, to a lesser degree, Hungarian, crude oil production developed.

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Oil exploration until 1894 was on a small scale and was mainly of a local nature. Since no commercial deposits were discovered, from 1894 to 1907 the government granted small subsidies to encourage further exploration. In 1907 the government began to undertake its own exploration (geological surveying) and Section 6 of the Law of 1911 declared all natural hydrocarbons a state monopoly. Subsequently, numerous concessions were granted to Hungarian as well as foreign companies under this law.

Natural gas, which had found considerable industrial utilization by the end of World War I, was discovered in Transylvania in 1909.

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On the over-all economic scene World War I brought about a great upswing in industrial activities and some controls. During the artificial boom created by the war all basic industries were expanded greatly.

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The Treaty of Trianon, 1920, brought complete separation from Austria; it also brought the loss of more than two-thirds of Hungary's land area and some three-fifths of her population. The Dual Monarchy's tariff-free market of fifty million people was reduced to a market of little more than eight million. The lost territories included all the regions where oil and gas prospecting had taken place. Slovakia and Ruthenia in the north went to Czechoslovakia; Croatia, Bachka, and the Mura district in the south were incorporated into Yugoslavia; while Romania obtained Transylvania and adjacent areas in the east.

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The dislocations caused by the war, by the ensuing disturbances, and by the enormous loss of territory brought the whole Hungarian economy to the verge of chaos.

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In 1924 the government adopted a policy of high tariff protection for industry by which Hungary, like her neighbors, aimed at self-sufficiency.

## THE OIL INDUSTRY IN THE HUNGARIAN ECONOMY

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neighbors, aimed at self-sufficiency. Industry was granted additional subsidies in the form of loans, cheap factory sites, and other measures. Together with low world market prices this policy was responsible for the depressed state of Hungarian agriculture from 1928 until about 1934, but all subsequent governments adhered to the industrialization program and frequently carried it further.

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The runaway inflation of the mid-twenties disrupted the country's finances, wiping out individual savings and ruining many companies.

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During the early twenties the Hungarian Oil Syndicate (an affiliate of the Anglo-Persian Oil Company) started explorations in western Hungary while the government carried out explorations east of the Danube. However, the Hungarian Oil Syndicate lost most of its exploration funds during the period of inflation and this coupled with unsuccessful drilling operations forced the company to abandon operations and pull out of Hungary. The government was also unsuccessful in this period, its only discovery that at Bükkszék, which resulted in the production of only 92,500 barrels over a thirteen-year period, much of it at an actual financial loss.

In 1933 the government granted a five-year concession for all areas west of the Danube to Eurogasco (an affiliate of the Standard Oil Company of New Jersey) in return for a pledge that $300,000 would be spent on prospecting and that at least eight wells would be drilled. Eurogasco's activities led to the discovery of the first commercial oil field in 1937 situated at Lispe, Zala County, near the old wells of the Mura district which were ceded to Yugoslavia in 1920. In 1940 a second field was developed nearby, at Lovászi. An eight-inch pipeline connecting the Zala fields with Budapest was completed in 1941. In that year Hungary reached self-sufficiency in oil production, and her 1943 output of 838,000 tons of crude contrasted with a (controlled) civilian consumption of only about 321,000 tons of refinery products (about 380,000 tons of crude equivalent). Table VI gives the civilian consumption for the years 1940-1943. More than half of the pro-

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1/ [Cf. page 88, category 116 -- Analyst]

## THE OIL INDUSTRY IN THE HUNGARIAN ECONOMY

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454 6 billion or 21 percent in 1950; and 8.75 billion or 24.5 percent in 1951. To these investment figures very considerable inventory increases must be added, without which the constantly accelerating expansion program would be impossible. Inventory increases absorbed an additional 4 to 5 percent of the national income or about 0.85 billion forints in 1947/48 and perhaps as much as 1.7 billion in 1951, also figured in constant January 1947 forints. Thus, investments and inventory increases amounted to 10.4 billion forints (roughly 886 million dollars) and nearly ) percent of the national income in 1951 compared with only 2.85 billion forints (about 242 million dollars) and 15 percent of the national income in 1947/48.

Revisions of the plan also gave an ever increasing share of investments to heavy industries at the expense of consumer goods industries and of agriculture. The share of heavy industry in total investments increased from 18.6 percent in 1938 to 32 percent in 1947/48, 40.5 percent in 1950 and 48 percent in 1951; and to this must be added hidden investments listed for propaganda purposes as housing, and other indirect expenditures, such as the expansion of the transportation system. By contrast the consumer goods industry's share in new investments declined constantly from 9.2 percent in 1938 to 3.6 percent in 1951.

433 Most actual production data is not available, or is highly controversial. Output data for 1952 claimed or calculated from officially released percentage increase figures are as follows: coal "more than" 18 million tons, steel 1.4 million tons, electric energy 3.7 billion kilowatt-hours. The 1954 production goals call for 27.5 million tons of coal (mostly lignite), 2.2 million tons of steel, and 6.05 billion kilowatt-hours of electric energy.

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433 Nothing was said in the plans about the crude oil or the refining industries beyond general statements to the effect that they will be greatly expanded.

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315 It appears that after the dismal failure to reach the crude production targets of the Three-Year Plan, long-range plans were drawn up only in terms of explora-

## THE OIL INDUSTRY IN THE HUNGARIAN ECONOMY

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tions to be made and number of meters to be drilled. These plans remain communist state secrets, but it is evident from a wealth of private reports as well as scattered official pronouncements that geological and geophysical explorations are being carried out at a scale hitherto unknown in Hungary. The 1953 drilling plan, as an example, calls for 263,000 meters (852,800 feet) of new wells, or more than five times the MAORT average in the years 1937-1945.

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Crude production in 1950 remained unchanged at the 1949 level of 490,000 tons (3,724,000 barrels) and fell to 475,000 tons (3,610,000 barrels) in 1951. The old Zala fields continued to decline, a loss which was not quite made up by the production of newly discovered fields. The year 1952 appears to have been a turning point in crude production. At least one important new field began producing north of the old Zala fields, and there were reports of scattered production elsewhere in Transdanubia and in northeastern Hungary. Production rose to 560,000 tons (4,250,000 barrels) overfulfilling the yearly plan, and according to official statements was held back only by transportation bottlenecks. The 1953 plan is 25 percent over the 1952 output or slightly over 700,000 tons (5,320,000 barrels). According to official reports in the first quarter of 1953 the plan was fulfilled.

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Knowledge of the refining industry is much less complete than that of crude production. It is known, however, that the industry as a whole has been considerably expanded. A large new refinery was reportedly built in southwestern Hungary at Nagykanizsa to process much of the output of the nearby Zala fields. The modernized and expanded old plants along the Danube at Szöny and Almásfüzitö as well as those in the Budapest area are refining primarily imported Austrian crude.

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Total refining capacity as of 1952 is estimated as 2,500,000 tons (19,000,000 barrels) annually, but a high percentage of this capacity is equipped only for fractional distillation. Although no reliable direct information is available, it would appear that the refineries operated

## EXPLORATIONS AND DISCOVERIES

in the Medjumurje (Muraköz) area, and south of the Drava River at Ludbreg, at Pogancec, and at Pitomaca; and at Ivanic and Mikleuska and Bujavica and Peklenica. Peklenica and Mikleuska were prospected around 1850. 315 [135]

In 1860 a plant at Anina in Transylvania began distilling oil from bituminous shales. A second plant was added in 1867, and production reached 900 to 1,000 tons of crude oil a year, distilled from 15,000 to 20,000 tons of shale. These plants were abandoned in 1882. Similar plants distilled oil and asphalt from the above-mentioned tar sands at Derna and Tătăraş. These sands contained 11 to 15 percent tar, which was washed out of the sand and then distilled. By 1906 these plants had produced 25,300 tons of oil and 45,400 tons of asphalt. The annual rate thereafter was 2,000 to 2,500 tons of oil and 4,000 to 5,000 tons of asphalt.

From 1881 to 1893 many shafts were sunk and many wells drilled near surface oil occurrences. Some shafts were 300 feet deep, and one reached 1,800 feet, but none tapped commercial oil pools.

To encourage continued exploitations in the face of these failures, the Hungarian government began in 1894 to subsidize the search for oil. By 1903, seventy thousand dollars of public funds thus invested resulted in oil production from two small pools, the first discovered at Selnice and the second at Peklenica. These small strikes called attention to the Medjumurje area, however, and a delayed return on the public investment came in the form of important oil fields later discovered on the same geological trend. [654]

In 1907 the government ceased to subsidize private operations and began to undertake its own explorations.

Until 1911 oil resources were open to private exploitation, subject to government regulation. The same was true of natural gas.[5] [1] But Section VI, 1911, of the Hungarian law declared a state monopoly on natural hydrocarbons: bitumen, oil, gas, tar, asphalt, and ozocerit. The law 655 315



[1] [for footnote, cf. Cat. 116, pp. 51-52--Analyst]

countries reveals a marked difference in one respect. The Hungarian social policy did not embrace the system of unemployment relief, as this was considered to lower the morale of the working class, and furthermore, Hungary was never in the position financially to spend millions on this type of relief. The Government endeavoured to find employment for the needy rather than hand out money to the unemployed. This policy was justified by results shown in the growth of industrial and agricultural production, and of export trade. The Government is continuing along these lines by promoting the industrialization of the country, by decentralizing industrial concerns, especially new ones, and by trying to improve the quality and the quantity of agricultural production through subsidies amounting to 1000 million pengős during the past year and a half.

Special emergency measures of a temporary nature are passed to meet each contingency. Such are the war-time regulations which promote the interests of the enlisted men and of national defence by effective measures, and increased governmental support. Assistance for agriculture at the expense of the other branches of production at the time of the last economic depression was a similar measure, proving its value in reducing the burdens of insolvent farmers through the enactment of various laws. Taking everything into consideration, the general economic policy has not been formulated adventitiously to meet urgent needs and emergencies, but has consciously and consistently striven to carry out social ideals.

The following chapters will serve to give a brief summary of the results achieved by social-minded Hungary during the past two decades, sometimes under most adverse conditions.

105%, and 82% respectively. The number of workers gainfully employed by industry correspondingly fell from two and a half millions to one million eight hundred thousand, and this took place first of all in the districts inhabited by minorities.

The above data cover the whole state, but the lot of the minorities was the most severe. The deterioration of industry reached the greatest intensity in Slovakia and Sub-Carpathia. This will be evident if we glance at some statistical data on living conditions. For instance, the average yearly meat consumption in Bohemia was 40.5 kilograms, and in Moravia 37.5 kilograms, while in Slovakia it was only 16.7 and in Sub-Carpathia 8.4 kilograms per head. We must bear in mind when considering these data that Czecho-Slovak propaganda always gave a rosier picture than was actually the situation in these districts by clever and biased grouping of the facts.

We get a clearer and more concise picture of the situation if we take into account the reasons behind the unfavourable position of the districts inhabited by the minorities. Greater Hungary's policy of industrialization endeavoured first of all to create opportunities for work in the poorer districts inhabited by the minorities in order to raise their living standards. Under Hungarian rule (1884 to 1914) the average per capita investment in Slovakia and Sub-Carpathia was 230 gold crowns (in Transylvania 200 to 230 gold crowns, in South Hungary 150 to 200 gold crowns) in contrast with the yearly per capita investment of 70 to 150 gold crowns in that part of the country which constituted post-war Hungary. In the territory which became part of Czecho-Slovakia Hungary subsidized industry with grants, interest-free loans, machinery, tax

exemption and reduced freight rates. Between 1881 and 1914, 1333 such factories received subsidies, and by 1935 all these factories with the exception of a few were in ruins under Czech rule . . .

The complete ruination of industry was not left to chance and was not caused by the depression, but it was a fixed programme of the Czech Governments. The process was started by the stringent control of commercial and savings banks which was extended later to co-operatives and commercial houses.

It was continued by taxation measures and was marked by distinct favouritism in allotting state orders which consistently neglected Slovakian industry. How taxation was used to achieve this end becomes manifest when we take into consideration that 19% of the state receipts came from Slovakia and only 9% of the state expenditure was spent there.

During the first few years following the first world war 94.5% of the state investments was spent in Bohemia and Moravia. Out of the 3.5 milliard Czech crowns invested in 1931 by the state social insurance system, only 236 million Czech crowns were invested in Slovakia. Half of the expenses of the road building programme of Czecho-Slovakia was born by Slovakia and Sub-Carpathia, but their share in the programme was only 12%. The levying of taxes was governed by certain considerations in the historical Czech state and by different ones in Slovakia and Sub-Carpathia; in the latter the tax burdens were far heavier. The railway freight rates were always higher in Slovakia and Sub-Carpathia than in the rest of the country. This fact in itself would have sufficed for the complete ruination of Slovakian industry. On the average the indus-